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Chief, Economic Research Area

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Gap in Information on The Foreign Exchange Holdings of
Communist China

Background

1. Communist China's foreign exchange holdings consist of deposits in foreign banks and gold held in China. The reserves of foreign exchange can be used to pay for imports whenever China does not export in sufficient volume to earn the foreign funds needed to pay for all of its imports. Inconvertible holdings, such as the rouble balances China possesses in USSR and Satellite banks as well as in several Free World countries, generally can be used to settle bilateral accounts only. Convertible holdings, and gold, however, can be used by China to pay debts in all parts of the world, including the Bloc. China has accounts in convertible currencies such as the Swiss franc, the pound sterling, the U.S. dollar, and the French franc.

2. A second priority objective of economic intelligence is to determine the extent of China's foreign economic activities and to assess the role which foreign trade may play in China's development program. In order to fulfill this objective it is essential that we have accurate estimates of China's holdings of foreign exchange. Data on convertible currency reserves are most essential; but information on Chinese accounts in the Bloc is also of extreme importance.

3. Virtually all of the information that we have on this subject has been derived from statistics on trade. Much of the trade data is subject to a large margin of error. Thus we have no estimates of China's holdings of foreign exchange which can be considered reliable.

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4. Much of this information could be obtained from the following W. European Banks known to hold accounts for China. Undoubtedly there are other banks, especially in [REDACTED] which also have Chinese accounts.

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[REDACTED]

25X6A

[REDACTED]

Bank of Indochine

25X6A

Bank Polska Kasa Opieki

Switzerland

Unionbank

Credit Lyonnais

25X6A

[REDACTED]

Bank of China, [REDACTED]

Questions

5. What is the total value of China's foreign exchange reserves, in particular bank deposits in Free World countries and gold reserves? What is the value of China's holdings of sterling, Swiss francs, German marks, French francs, and other currencies. Are there any restrictions on the use of those holdings?

6. Has China used western exchange and/or gold to cover a deficit in the balance of payments with any Bloc country? If so, give value, method, time, and rationale.

7. What does China consider to be the critical level for foreign exchange reserves? (That is, what is the amount of exchange China feels it is necessary to hold to meet normal demands for exchange.)

8. Have there been any major shifts from one currency into another, for example, from sterling into German marks? If so, give value, method, time, and rationale.

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9. What is the level of China's deposits in banks in Bloc countries? To what extent do these deposits reflect accounts surreptitiously held by Bloc countries in the Free World?

Target Date: As soon as possible.

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